

Message Text

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70

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 IO-13 H-02 L-03

SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01 PRS-01

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P R 032110Z AUG 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 640

INFO AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY TOKYO

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FOR USADB MANILA

E.O. 11652: N/A

TAGS: EAID, EFIN, CA

SUBJ: INCREASE IN ADB LENDING RATE

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REF: STATE 188415

1. EMBOFF DISCUSSED ON AUGUST 3 UPCOMING ADB BOARD OF DIRECTORS MEETING WITH ALAN GILL, CHIEF, FINANCIAL INSTITUTIONS, DEPARTMENT OF FINANCE, AND MADE POINTS RE USG POSITIONS CONTAINED IN REFTEL. GILL SAID HIS OFFICE HAD EXPECTED OUR DEMARCHE ON BASIS OF REPORTING BY CANADA'S ADB EXECUTIVE DIRECTOR, TONY EATON.

2. GILL CLAIMED EATON HAD "FLEXIBLE INSTRUCTIONS" FROM GOC REGARDING RAISING OF ORDINARY CAPITAL LENDING RATE, AND THAT HE COULD SUPPORT EITHER 9.10 PERCENT OR 9.15 "DEPENDING ON HOW HE READS POLITICAL SITUATION AS IT DEVELOPS IN MANILA." IT WAS GILL'S IMPRESSION, BASED ON EATON'S REPORTING, THAT ADB PRESIDENT INOUE HAD STAKED HIS REPUTATION ON RAISE OF LENDING RATE TO 9.15 PERCENT AND THAT INOUE WAS THREATENING TO RESIGN IF 9.15 PERCENT DID NOT GO THROUGH. GOC, SAID GILL, DID NOT WANT INOUE TO LEAVE ADB BEFORE HIS SCHEDULED RESIGNATION "UNDER A CLOUD," BUT EATON HAD INSTRUCTIONS TO "PLAY IT BY EAR."

3. ON QUESTION OF AUTOMATIC ADJUSTMENT TO ADB LENDING RATE ON OCTOBER 1 BASED ON 5 BASIS POINT MOVEMENT IN IBRD LENDING RATE, GILL SAID THAT GOC COULD SUPPORT USG POSITIONS.

4. GOC HAS TAKEN NO FIRM POSITION ON LEVEL OF COMMITMENT CHARGE ALTHOUGH DEPARTMENT OF FINANCE BELIEVES CHARGE SHOULD BE INCREASED. HOWEVER, FINANCE IS NOT CONVINCED THAT .75 PERCENT IS CORRECT FIGURE AND WOULD PROBABLY AGREE TO ADB PROPOSAL OF .45 PERCENT.

5. GILL SAID GOC ALSO WISHES TO MAINTAIN PREMIUM CHARGE FOR HIGH INCOME BORROWERS, SINGAPORE AND HONG KONG, BUT COULD SUPPORT SOMETHING LESS THAN 60 BASIS POINT PREMIUM.

6. GILL MAINTAINED THAT LAST MONTH'S ADB PLACEMENT BY U.S. UNDERWRITERS WAS WELL RECEIVED AND "AT VERY GOOD RATES." THIS MIGHT, GILL SAID, "UNDERCUT" LIMITED OFFICIAL USE

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INOUE'S ARGUMENTS FOR PROPOSAL RATE INCREASE TO 9.15 PERCENT. ACCORDING TO GILL'S INFORMATION, AVERAGE ADB PLACEMENT RATE LAST MONTH WAS 8.84 PERCENT.
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